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### Guanxi influence and talent management in Chinese organisations

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## **Abstract**

The Chinese context has been characterised as one where guanxi influence is significant, shaping the choices, considerations, challenges and consequences of TM. There is though little empirical research which shows that this is what is experienced, and that guanxi influence does feature prominently. The purpose of our research is to explore experiences of TM in China, and the extent to which the guanxi influence affects TM.

Case study research to identify and explore guanxi influence on TM was undertaken in three real estate companies in China. Interviews with managers and employees on how talent is defined, attracted, developed and retained were analysed for guanxi influence. These show that guanxi influence is clearly present in the experience of TM, though this is not the sole or always dominant influenced on choices, considerations, challenges and consequences. This paper contributes to TM literature that guanxi influences play important roles in defining, attracting, developing and retaining talents in the Chinese context and also highlights both advantages and potential disadvantages of guanxi influence in TM activities.

Evidence suggests that guanxi influence is a relevant focus for understanding TM and for framing further research on TM in China. Guanxi influence in this TM context will continue within the Chinese context, and by extension in contexts where Chinese organizations develop their presence globally, but adapt also to learn from the wider international context of organization development and change in which best practice TM.

**Key words:** talent management, Guanxi, China, best practice

## Introduction

As China seeks to transition to a knowledge-based economy, many aspects of management become more important (Zhu and Warner 2005; Ma and Trigo 2008) within China and for those affected by China not just as a manufacturer or investor but also as an innovator (Augier, Guo and Rowen, 2016). One such aspect is the strategic management of people (Chen, Friedman, Yu, and Sun, 2011) and Talent Management (TM). Additionally, as Chinese organizations extend their presence and influence globally so there will be an impact from the practices they are culturally associated with in contexts outside of China. Recognising call for more context-oriented TM research (Thunnissen, Boselie, and Fruytier 2013), we acknowledge that contextual variables may account for variance, and thus we focus on analysing how Chinese *guanxi* influence TM in China. Among these challenges is researching Talent Management (TM) in China. TM research explores how talent is defined, attracted, developed and retained (Lewis and Heckman 2006). Much of that interest in TM in China has assumed the Chinese context is one which embodies a distinctive cultural tradition, *guanxi*, which influences how talent is defined, attracted, developed and retained. This is especially felt to be significant in a shortage of managerial talent, for example, a study conducted by Mercer shows that 72% of respondents in China claimed their main challenge in staff recruitment was a lack of qualified candidates in the labour market and how to develop and retain existing managerial talents was another key challenge (Iles, Chuai and Preece 2010). Thus, there is a strong interest in TM. Previous literature did not clearly analyse how TM is influenced by *guanxi*. This paper helps HRD scholars to understand why and how *guanxi* influence TM practices in the Chinese context.

The Chinese TM context has been described and analysed with reference to constructs including Confucianism (Jacobs, Gao and, Herbig 1995; Wang, Wang, Ruona, and Rojewski 2005) and collectivism (Hofstede 1980) but the construct of *guanxi* the most commonly used. In the Chinese context *guanxi* influence is perceived to be potentially significant in shaping how talent is defined, attracted, developed and retained (Ramasamy, Goh, and Yeung 2006; Zhang and Bright 2012; Vaiman and Collings 2013; Nie and Lamsa 2015).

*Guanxi* “is an intricate and pervasive relational network which traditionally the Chinese are conscious of cultivating. *Guanxi* creates and perpetuates implicit mutual obligation, assurance and understanding, and governs Chinese attitudes toward long-term social and business relationships” (Luo 1997, 34). *Guanxi* influence means giving priority to personal networks and loyalties more than other kinds of affiliation or standards. *Guanxi* influence is seen to matter even as the importance of networks with strong political ties decline and the importance of inter-business ties increase (Zhou et al. 2014). *Guanxi* can be seen as akin to networking, but combines the personal and the professional. From the perspective of the organization *guanxi* is a way of describing social capital, though in *guanxi* relationship development is necessary prior to engaging in transactions rather than being a possible outcome of those as it is assumed is the case in other contexts (Tang and Ke 2013).

The values and behaviours associated with *guanxi* forms of networking and social capital may be found in cultures and contexts other than China, including Russia (Ledeneva 2008) and the Middle East (Mohamed & Mohamad 2011). It is primarily in China though that the values and behaviours of *guanxi* are perceived to be especially significant features of the relations in the society and management. The influence of *guanxi* can be seen to shape

organizational life from corporate governance in large organizations (Young et al 2008) to the dynamics of new business and entrepreneurial start-ups (Ahlstrom and Ding 2014).

Guanxi has been perceived to remain central to this cultural context as it provides an informal system for networks which are able to bypass the inefficiencies in China's bureaucracy (Dunfee and Warren, 2001). Guanxi networks may be an efficient mechanism to support economic exchanges and secure long-term and trust-based networks that satisfy the strategic needs of enterprise in China (Zhang and Zhang 2006). On the other hand these guanxi networks can be associated with favouritism, inefficiency and corruption. Guanxi influence may have a positive effect on performance, and a role in compensating for institutional shortcomings (Standifird and Marshall 2000) or be seen as part of making the most of circumstances where enterprises need to seek to cultivate personal guanxi, including with governmental officials, to obtain resource-related benefits, such as the acquisition of key resources, preferential treatment, and timely government approvals (Chen and Wu 2011).

Our concern is not to evaluate the overall impact of guanxi on economic development in China, but more narrowly to seek evidence that guanxi influence is indeed a factor in-use in China, by looking at the experience of TM. For that it is necessary to first identify the factors that constitute guanxi influence, as given in Figure 1 (Yen et al 2010). These factors include some that are not remarkable in any TM context, those of nurturing interpersonal connection and social networking (Goldsmith and Carter 2010). Guanxi influence on TM is potentially significant if and where these factors, along with others, can be seen to displace the qualifications, competence and systematic approach to TM based on these in other contexts. The other guanxi factors, including a focus on harmonious relations, the exchange of favours and face saving are also not to be seen as exclusively 'Chinese' in character in themselves. It is again more about the weight and significance given to them, and their interaction with the other factors in sum. The sum of the factors of guanxi is a 'whole' culture emphasising in-group harmony and mutual benefits, building and sustaining long-term, high-trust relationships and networks, and a communication and relationship skill set associated with these. These will be embodied in management and organization which values informal connections among business organisations and leaders, and among line-managers and employees, with the exchange favours creating a high level of trust, obligation and respect among networks and the reciprocation of favours.

Insert Figure 1 Here

Guanxi is apparently accepted as an integral part of business and employment though there is some evidence that employees' perceptions of justice are affected when managers use guanxi to make human resource decisions including employees' promotion, bonuses and salary, task allocations and performance appraisals (Chen et al. 2011).

In addition to the guanxi influence context it would be expected that the experience of TM in China could also be influenced by and aligned with global values and behaviours for best practice TM in diagnosing, assessing, designing, implementing, coaching, and evaluating talent (Goldsmith & Carter 2010). TM themes in the most globally competitive companies have been categorised as the themes of choices, considerations, challenges, context and consequences (Schuller 2015) which emphasise the need for clear entry criteria, decision process, and transparency. TM in this context involves creating and delivering a compelling employee value proposition, personalized career plans, highly competitive compensation and

healthy balance between personal and professional lives (Thunnissen, Boselie, and Fruytier, 2013).

TM is about attracting, identifying, developing and retaining talented individuals who are of particular value to an organisation (Colling and Mellahi 2009; Davies and Davies 2010; Scullion and Collings 2011, Thunnissen, Boselie, and Fruytier 2013). There is no universal definition of talent in TM (Levis and Heckman 2006) though a major theme is about adopting either inclusive or exclusive definitions of talent (Collings and Mellahi 2009). The challenge of the inclusive approach is the extent to which an organization can deliver, and provide all employees with opportunities to succeed in the organization. In contrast, the 'exclusive' perspective concerns differentiation, and applies different practices to different sets of employees. The 'exclusive' approach to TM, where defining talent means differentiating and focussing on high performance and high potential employees (Lewis and Heckman 2006; Colling and Mellahi 2009; Farndale, Scullion, and Sparrow 2010; Tarique and Schuler 2010) has greater concern about the identification of key positions which have the potential to have a key impact on the competitive advantage of an organization TM and the most talented employees being identified and developed to fill these key positions within the organization (Collings and Mellahi 2009). Advocators of exclusive approach argue that if TM is not defined as an exclusive and distinctive strategic process, it may have little difference from HRM. Although different interpretations of talent, scholars agree on the impact of context on the exact and precise definition of talent and the mix of differentiating competencies and abilities varies according to the organisational environment, the internal and external context of an organisation and across time (Lewis and Heckman 2006; Gallardo-Gallardo, Dries, and Gonzalez-Gruz 2013; Thummissen, Boselie and Fruytier 2013). Cross-cultural studies suggest differences in TM interpretations (Festing, Schafer, and Scullion 2013; Stahl et al. 2012), and have different understandings of 'talent' across different cultures so the Anglo-American stance of positioning talent as relative high performance and potential is not shared in cultures that are more collective and less performance-oriented (Dries et al. 2013; Swailes, Downs, and Orr 2014). And Chinese organisations consider guanxi factors when they identify talented employees (Zhang and Bright 2012).

Most TM literature analyse TM practices through three perspectives: attracting, developing and retaining talents (Thunnissen, Boselie, and Fruytier 2013). A talent attraction strategy as part of TM requires employers to apply branding models and marketing methods either to acquire talented individuals from the external labour market or to encourage internal employees to engage with TM processes. Various marketing tools, such as employer branding and flexible benefits, could be used to attract external talents and/or engage internal talents. (Jansen and Van der Pool 2009; Jiang and Iles 2011; Lin, Kelly and Trenberth 2011). Recruiting top-tier talent challenges organizations to source and screen for the best talent, and this can be associated with a more creative recruitment strategy rather than traditional recruitment methods (Phillips and Roper 2009). Several studies focused on analysing recruiting talents and factors at the organisational and individual levels which influence applicant's attraction to organisations (Lievens et al 2001). But little studies analyse the role of guanxi in attracting talented individuals. It is not clear how guanxi influence talent recruitment in China's context. exploring the role of guanxi in recruiting talent will help HRD scholars to understanding TM experiences in the Chinese organisations.

Moreover, developing talent internally allows organizations to develop firm-specific knowledge and skills. This involves a decision to make rather than buy in talent, and to develop systems for coaching and mentoring as well as formal training and development

programmes (Collings and Mellahi 2009). This may also be either inclusive or exclusive, to ensure that the organization has a current and future supply of talents (Garavan, Carbery, and Rock. 2012). Vos and Dries (2013) applied a TM lens to explore employee's career management. A CIPD study (2013) of UK organisations' overall resourcing and talent planning strategies and practices and challenges showed that talent development practices most often target senior managers, high potentials, future leaders and high-fliers. The talent development literature discusses a lot about exclusive approaches, which use high potential/performance as criteria to select individuals to participate talent development activities. While competitive advantage in talent development does not just come from identifying key approaches and implementing "best practices", best practices are only "best" in the context for which they were designed (Stahl et al 2012). More contextual factors, such as guanxi, should be considered in talent development, as guanxi amongst employees can promote knowledge sharing and support talent development (Wang-Cowham 2011), though there are few studies about guanxi and talent development practices. For example, how guanxi influence talent selection processes involved in talent development programmes? What kind of guanxi support talent development? Is there any associated ethical risks? Further empirical research is needed to explore talent development practices in China's context.

Many organizations are concerned with the risk of turnover and retaining members of the talent pool (Collings and Mellahi 2009). Many literatures show talent retention involves creating and delivering a compelling employee value proposition, personalized career plans, highly competitive compensation and healthy balance between personal and professional lives (Thunnissen, Boselie, and Fruytier, 2013). Talent retention factors include confidence, room for growth, a fair exchange, an environment for success, and authority and influence, drive talents' commitment, because stayers are more satisfied with these than leavers (CIPD 2013). Rewards, career development and work environment are deemed to be important aspects for retaining talent (Phillips and Roper 2009; Ma and Trigo 2008). For HRD scholars' interests, Alessia and Regina (2008) show the influence of learning and organizational commitment on talent retention in the context of European managers. However, few HRD studies explore how guanxi ties that built through talent development activities influence talent retention in China's context. Empirical research is needed to explore guanxi factors help or hinder talent retention.

This nevertheless poses a challenge as TM influenced by guanxi and TM as prescribed by best practice are in essence quite different, potentially even opposites. This difference can be analysed in a number of ways. It may be assumed that the best practice approach to TM is the most mature and strategically sound, and is therefore the ideal to which alignment ought to be sought whatever the local cultural context. However, 'best' practice TM can be perceived as emerging in Western economic and cultural contexts, and so not be adequate or appropriate in other contexts, including the Chinese context (Ma and Trigo 2008). Alternatively the local cultural context may be perceived as the seat of what is 'best', and provide a resource and heritage which is to be valued and sustained against pressures to conform to alternative values and behaviours. The notion of combining and evolving a TM hybrid, which is aligned in part to the cultural context and in part with best practice, is an easy compromise to suggest though given the complexities of culture and best practice not likely to be easy in practice.

## **Method**

The purpose of the research was to obtain accounts of organizational experiences of TM in Chinese organizations on the central question; is there evidence that guanxi influences experiences of TM in China?

Interviews with managers and employees in Chinese organizations were undertaken to explore how interviewees perceived and experienced how talent was defined, attracted, developed and retained in their companies. An exploratory and inductive approach was appropriate, with the respondents free to define and reflect upon TM, guanxi and guanxi influence as they understood these constructs. The interviews provide multiple cases, embedded in three different case study organizations, enabling us to describe and analyse an array of situations to provide some analytical generalization (Yin 2003).

Real estate development enterprises are considered very talent intensive organisations in China, so they made a good sector to explore TM. The real estate industry has been a foundation of China's economy and remains a key industry (Squires and Heurkens, 2015). It is a sector in which Privately Owned Enterprises (POE) compete with state owned enterprises (SOEs), and foreign invested enterprises (FIEs). POEs are seen to have characteristics and management styles that are different from other kinds of enterprise (Zhu and Warner, 2005). Chinese real estate development enterprises belong to talent intensive industry, because they need talents from various disciplines that involved in all the activities in the relevant value chain and, as such, they are responsible for feasibility studies, developing real estate projects, designing property, construction, sales and marketing, and property management. This industry has been a key sector in China's development. Companies were chosen taking into account organisational type, business activities and TM practices (see table 1). This research focuses on exploring large and medium enterprises, which developed from private owned enterprise, rather than small private business; because business may not have formal TM activities. The three case companies selected by the study are typical enterprises in real estate industry at different development stages. The three companies are large and medium companies and famous for their TM activities in the industry. They had formal policies and experiences in talent attraction, talent development and talent retention, so respondents in these were able to provide TM experiences. Mason (2002) states that based on a-priori theoretical understanding of the topic being studied, that certain categories may have an important perspective on the phenomenon in question and their presence in the sample should be ensured.

A profile of the case companies is provided in Table 1. Real Estate Company A, based in Wuhan, was established in 1998 and listed in the Shenzhen Stock Exchange in 2009. The company focused on commercial real estate development and operations. In 2012 there were more than 300 employees. With the development and expansion of the organisation, Company A launched a talent development scheme to main talent succession within the organisation. Company B, based in Guanzhou, was established in 1997 and listed in the Hong Kong Stock Exchange in 2009. Real Estate Company B is a group with more than 500 employees, with business interests in most main cities in mainland China. It is a large enterprise, concerned with the residential, commercial and hotel sectors. It establishes branch companies (or regional companies) in many provinces. Company C was established in 1983 and was listed in the Shenzhen Stock Exchange in 1991. In 2012 it had more than 300 employees. It accumulated extensive experience in the real estate development industry. Unfortunately, Company C's business had developed slowly in recent years, and the organisation came across problems of high talent turnover.

Interview participants were obtained through a snowballing approach (Cant, Watts, and Ruston 2011). As the first step, a list of corresponding initial informants was established, with HR managers and Directors. These initial informants were knowledgeable about TM in their companies and helped provide access to individual interviewees who were identified by them as talented employees. These initial informants also helped to provide access to TM practitioners in the organizations. This snowballing approach is appropriate where there is no central database identifying informant. The HR director or CEO of each company was interviewed, as well as TM practitioners if present. Interviews were conducted with talented employees. Based on selected participants' respective company and job roles, these were given code names for the purpose of anonymity.

16 face-to-face interviews were conducted with talent management practitioners and talented employees (See table 2). Interviews with senior managers and HR practitioners concerned formal TM strategy and implementation. Interviews with talented employees focused on exploring their experiences of TM activities and their views of these TM practices. The interviews were based on semi-structured questions. Interview questions were on how the companies defined, attracted, developed and retained talented employees. They explored also if and how guanxi influenced TM practices. These interviews were between 40 and 60 minutes duration, conducted in Chinese and audio-recorded, transcribed verbatim and anonymised.

Narrative analysis (Reismann 1993), with reference to themes of defining, attracting, developing and retaining and was undertaken with interview data. Narrative analysis does not require the elaboration of codes and categories (Riessman, 1993), rather the interviews are read and related to the research question, literature review and interest in guanxi factors and themes in TM. Two phases of narrative analysis were undertaken. Phase 1 was analysing the manager/HR/talented employee data, into the broad TM narrative themes identified from the literature review; defining talent, attracting talent, developing talent, retaining talent, and 'other'. Phase 2 analysis was about identifying whether what these respondents were saying was consistent with a guanxi influence oriented narrative of TM.

Analytic interpretations, on guanxi influence, as well as narrative quotations on defining, attracting, developing and retaining talent, were translated from Chinese to English in the final stage of analysis by one of the authors as a native Chinese speaker. A close reading of interview transcripts was then used to understand and reconstruct accounts of connections between events, between events and contexts, with detailed quotations from interview transcripts (Riessman, 1993).

Insert Table 1 Here

Insert Table 2 Here

## **Findings**

How TM is presently being defined in all three case companies is consistent with guanxi influence being present. The ways TM is understood, managed and experienced through how talent is defined, attracted, developed and retained shows guanxi influence. This is next described with reference to the themes of how talent is defined, attracted, developed and retained.



### ***Guanxi Influence and Defining Talent***

In defining talent the respondents in Chinese companies understood and experienced TM in terms that could be associated with people who have guanxi commitments and resources. The HR director in Company B explained:

*Our company contains some critical departments such as architecture, operation and each real estate project department. They are very important for the company's operation. I think key employees in pivotal posts are talents for our company, because they are able to create more profit and value for the company. Talent management just emphasises on developing these talented employees. (Company B HR Director)*

Similarly, the HR director from Company C said that: *'In our company, talent management practices target at some talented employees in key posts, because they can create more value for the company.'* (Company C HR Director).

Talented employees who are of particular value to an organization are those in guanxi networks. This was confirmed by the words of Company A's HR Director: *'Compared to HRM, TM practices in our company target talented employees, it make sure these talented employees to fill key posts of the organization'.*

Other aspects of talent definition also reflect guanxi presence; a concern not only with personal attributes, but also how much value an individual may bring to an enterprise through their guanxi networks. An HR manager in Company A stated:

*Guanxi is an important criterion for identifying talents. In our company, talent should have good internal guanxi, such as good guanxi with colleagues. Some talents at special posts should also have external guanxi.*

The Chairman of Company A said : *High quality internal guanxi is the first requirement for my talents, because it is a kind of loyalty and trust.....As Chinese people are easily to establish loyalty and trust through good guanxi, we are likely to take into account a guanxi perspective when identify talents.*

These case companies appear to pay much attention to individuals' external guanxi networks. Guanxi resources might help enterprises obtain more resources in. As expressed by a senior manager in Company B:

*Guanxi is a significant criterion to define a talented employee. In China business guanxi is closely associated with persons. I think any enterprise, as long as posts relate to market, needs to find some talents who have guanxi networks, because individuals' guanxi networks can bring company resources.*

This shows that external guanxi networks are considered attributes of talented employees in China's business context. Company C's Vice-President suggested why guanxi is so important for defining talent: *"In China's context, a managerial talent should be aware that a 'market-oriented economy is a guanxi economy'"* (Company C, Vice-President).

One interviewee in one company suggested that every single employee could be a talent and their company tried to provide all employees with TM, most TM activities of the three case companies target small groups of employees in guanxi terms. In defining the exclusive group it is guanxi that matters, not performance and position. In defining the talent pool and talent pipeline there is guanxi influence.

An unfair situation might affect TM activities. As expressed by a member of managerial staff: “Some employees do not have close guanxi with immediate supervisors or senior managers. Those people may feel helpless in this organisation” (Company A Managerial Staff). The statement implies that guanxi factors made some managers value internal guanxi or guanxi group identity more than individual competence.

As positions are kept for people from the internal talent pool/ or for people outside because of guanxi it might be expected to generate discontent and resentment. However this ‘unfairness’ is understood and accepted as part of guanxi. There was no evidence of a shift to values and norms more associated with objectively determined talent in the ‘exclusive’ form or for more open and inclusive approaches to TM.

### ***Guanxi Influence and Attracting Talent***

With understanding and experience of talent attraction, these interviewees also described guanxi related messages and methods of attracting talented individuals for some posts, rather than methods such as internet recruitment and job fairs. Guanxi recruitment refers to the use of informal channels to recruit people who are directly or indirectly known to people already in the company. Many people appear to be recruited through guanxi networks, which involve internal employees, friends, and important stakeholders. This is seen as far and valid as there are advantages which include reducing uncertainty, increasing recruitment effectiveness and building reciprocal favours for a company. Guanxi recruitment facilitates trust between talented employees and the organization. The Chairman of Company A stated:

*“ China’s context has its characteristics. Personal trust is easy to be built through close guanxi. According to tradition, Chinese people emphasise consanguinity, geographical relations, and some natural relations, in which personal trust is easy to be built. So guanxi recruitment is an important talent attraction channel.”*

This company believed talent from guanxi networks would be more reliable, because guanxi networks are built on trust and so reduce uncertainty and potential risks. And in order to acquire more resources through guanxi networks, case companies preferred to acquire talented employees who have strong business guanxi networks. These guanxi ties could be used to avoid a time-consuming approval process on a new real estate project. Thus, guanxi factors influence talent recruitment practices. An HR manager from company A noted:

*“...Real estate enterprise needs to report construction plans to the government and obtain approval to develop properties. We hope to recruit some talented employees who have relevant guanxi networks or connections, because the enterprise has to deal with external stakeholders, such as government agencies.” (Company A HR manager)*

Company C also faced a dilemma regarding accepting incapable candidates from guanxi networks. The HR director added:

*“We are willing to recruit capable candidates through guanxi networks. But sometimes we come across dilemma situation.....Recruiting incapable employees from guanxi networks may lead to overstaffing and put the enterprise in a dilemma, because those people are very easy to invite in but difficult to get them out. The enterprise can accept the candidate only in the case that the government officer (referrer) is at a high level and very important to the enterprise and the candidate’s personal networks can bring us a huge benefit; in such case, we cannot reject the candidate.” (Company C HR Director)*

Moreover, these talents with external guanxi ties might not bring permanent benefits to the companies, because external stakeholders such as government officials are not permanent. As the chairman of Company A stated:

*“We do pay attention to guanxi networks (with government officers); but we do not assume it as a permanent thing. As the power of the government is very strong in China, so you have to approach the government. But when the government power is represented by individuals, it is not permanent. Today this guy is the mayor; tomorrow that guy is the mayor. ....Even though an enterprise establishes guanxi ties through attracting special talented individuals, it (enterprise) probably gets some favours at the beginning; but with a long-term development, it still has to rely on the enterprise itself. Establishing a good guanxi with the government is a slow process which requires contacting constantly. This is a characteristic of China’s context.” (Company A Chairman)*

This means some employees get hired for jobs, not dominantly on the basis of their individual merit, but instead on the basis of their guanxi networks. When guanxi benefits brought by these talented employees are expired or reduced, what is left may appear to be a dilemma, such as overstaffing.

There was evidence of differences across these companies. Company B respondents did not advocate guanxi recruitment. Company B favoured adopting a more professional approach, which meant all business operations should strictly follow organizational regulations and be controlled by group headquarter. Recruitment and selection were to be based on candidates’ individual merit rather than their guanxi or lineage. Company B uses this management system to avoid unfair recruitment or recruiting unqualified employees through guanxi networks. They are seeking to isolate guanxi factors from talent recruitment, for more fair and valid recruitment, an example of the influence of a different norm, shifting toward the equity criteria.

### ***Guanxi Influence and Developing Talent***

In understanding and experiencing talent development, some talent development activities, such as mentoring, coaching, and informal training, that involve close interactions between managers and employees, exist and are associated with close supervisor-subordinate (s-s) guanxi. As those activities are delivered in both formal and informal way, and close interactions between supervisors and subordinates both inside and outside working hours develop mutual trust and harmonious guanxi. As described by a mentee:

*“In our department, my mentor is my immediate supervisor. She is quite sensitive in emotion. She even cares about my personal life. This mentoring programme creates harmonious guanxi between us .....This guanxi looks like a family atmosphere. I feel this guanxi bridges*

*the gap between superior and subordinate and enhances mutual trust.” (Company A Department Assistant)*

The mentoring programme made mentees ally with their mentors, whom they considered as friends. Establishing close s-s guanxi enhanced mutual trust. As an assistant manager expressed:

*“As my mentor, my supervisor is hands-on-hand to cultivate me. The close interactions and supports both inside and outside working time build trust between us. .... I think I am attracted by his personal charisma...” (Company A Assistant Manager)*

Consistent with guanxi being associated with reciprocation, those mentees were willing to reciprocate their mentors’ support, cultivation, and care through their demonstration of a high level of trust and personal loyalty towards mentors. Based on good personal guanxi with superiors, talented employees felt reassured about their work in the company. As expressed by a mentee:

*“Through the mentoring programme, I have established a good guanxi with my supervisor. With the good guanxi, I feel everything goes well with my work.” (Company A Assistant Department Manager)*

Meanwhile, supervisors were keen to form close guanxi for reciprocal exchanges with some subordinates who they viewed as committed, trusted and capable. A manager explained:

*“Establishing good guanxi with subordinates, especially some key talents, is very important. I think good supervisor-subordinate guanxi can bring trusted employees around you and support your teamwork. I am happy to share all my working experience with them and support their personal development.” (Company A Department Manager)*

Because exchange of knowledge, particularly tacit knowledge, is not amenable to enforcement by contract but by trust; and mutual trust attached by guanxi tie can encourage knowledge sharing in the Chinese cultural context (Roberts 2000; Ramasamy et al. 2006). As described by a mentee:

*“My supervisor and I have built a good guanxi. We have mutual trust. We are not only colleagues but also good friends. So we cooperate with each other very well in the company. As my mentor, he really gives me a lot of support without any personal reservation. I can feel that my supervisor tries to help me to get more personal development in the company.” (Company B Department Assistant Manager)*

Although Chinese employees can be very sensitive about knowledge / skills transfer and the disclosure of valuable information, high quality guanxi ties removed psychological obstacles between mentors and mentee and facilitated knowledge transfer, because both parties considered each others are “in-group” members. Successful talent development activities, such as mentoring, may enhance s-s guanxi ties, and these guanxi ties also support talent development.

As effect of close s-s guanxi ties, managers may give more talent development opportunities to those with whom they have close guanxi ties. These employees who received favour from the managers may work hard to pay back their managers. Through talent development

practices, some employees might develop a higher self-esteem when they believed themselves to be more important than other employees. An assistant manager, who was also a mentee, expressed:

*“I am following my supervisor because he cares about me very much....I get support and recognition from my supervisor. We have built a close guanxi through the mentoring process. This is a strong cooperative and reciprocal guanxi. We are fighting side by side. In this company, I am proud of having this guanxi with my supervisor. This guanxi retain me to work with him.” (Company A Assistant Manager)*

Employees like to build up close guanxi ties with supervisors who have attributes such as integrity and dependability. And managers would form reciprocal exchanges with those employees who they view as committed, trusted and capable. At individual guanxi level (close supervisor-subordinate guanxi), employees who received more talent development opportunities regard the procedures as fair. Because model of justice lead these employees to regard receiving mutual favour from guanxi ties as fair (Chen et al. 2009)

S-s guanxi ties may affect talent development practices at organizational level, with employee's shared perceptions of guanxi at group level may be related negative to employees' procedural justice perceptions. When managers have strong guanxi ties with some employees, and managers' TM decisions are impacted by these guanxi ties, the rule of fairness is violated, which decreases employees' evaluation on TM fairness. This part leads to a questioning of guanxi based TM.

For example, managers' decisions, such as selecting employees to join talent development programmes, are influenced by the quality of s-s guanxi ties. A close s-s guanxi or guanxi group identity might give a guanxi member more talent development opportunities, at the expense of employees who don't have close s-s guanxi ties. As an assistant manager from Company A said:

*“When my supervisor selected candidates for talent development programme, he would firstly choose some candidates based on individual competency. And then he prefers to select candidates who have good guanxi with him to join the programme. So close supervisor-subordinate guanxi could bring a subordinate better talent development opportunities.” (Company A, Assistant Manager).*

As talent development practices are influenced by s-s guanxi ties, guanxi ties differentiation made “out-group” members feel relative deprived, particularly in cases where they feel that they deserve, or are entitled to receive talent development. This feeling might lead to an “unfair” perception at organizational level. As expressed by an assistant manager:

*“In our company, talent development activities are influenced by supervisor-subordinate guanxi. For example, some of my colleagues have guanxi ties with supervisors, and they got more talent development opportunities. While I don't have these guanxi ties, and I might get less support from supervisors even not be selected to join mentoring programme. Due to the guanxi influence, talent development decisions and activities are unfair. This discourages my confidence.” (Company A Assistant Manager)*

Similarly, this unfair perception might not only affect talent management activities but also undermine some potential talents' motivation. As expressed by a member of managerial staff:

*“Some employees who do not have close guanxi with immediate supervisors or senior managers may feel talent development practices are unfair. Those people may feel helpless in this organization” (Company A Managerial Staff).*

### ***Guanxi Influence and Retaining Talent***

Loyalty to the supervisor informs talent retention, with personal trust and emotional attachments being significant. Establishing the loyalty in the organisation needed time and close superior-subordinate interactions, as indicated by a middle manager’s statement:

*“I have worked in this company for six years...the boss supported me and mentored me intensely. We have established good personal guanxi. I really care about the guanxi between us. So it is not easy for me to leave the company. I have been attracted by the boss’ personal attitudes and the organisational culture he constructed.” (Company A Middle Manager)*

Individual mentoring and personal support enhanced s-s guanxi. High quality s-s guanxi encouraged talents to be loyal to their superiors, because. Guanxi influence can be seen to increase affective commitment, and to follow long-term career development. As expressed by a middle manager:

*“We have built solid guanxi. It involves too much emotional attachment and personal obligation. I have strong attachment to my boss and his company. This attachment is a long-term bond. I can’t easily say I’m leaving” (Company A, Middle Manager)*

Unlike continuance commitment, which might decrease if the cost of leaving was reduced, affective commitment that involves emotional attachment is important for willingness to stay in the organisation and to follow their superiors to pursue further career development.

Company C paid special attention to providing emotional care and psychological support for some talents in pivotal posts:

*“The emotional care, communications, and encouragement made them feel a harmonious guanxi environment in the organisation. A kind of emotional attachment associated with the guanxi made it difficult for some talents to leave.” (Company C HR Director)*

Guanxi can then be positively related to affective commitment and negatively related to turnover intention. This was supported by a manager’s argument: *“But for considering our director’s personal guanxi, I would have left the company.”*(Company C Middle Manager) As a result, people might be reluctant to leave the organisation because their leaving would lead to a loss of guanxi related favours.

This affective commitment is loyalty to individuals such as senior managers and superiors rather than the organisation.

*“I am retiring soon. My retirement indirectly influenced a subordinate’s turnover. She has just left and found a better post in another new real estate company. Promotion and better pay were the main reasons for her leaving. She told me my retirement increased her turnover intention. Because we have good personal guanxi, as her direct supervisor, I dare to speak for her and take responsibility for her. She said, ‘After your retirement, nobody would care*

*for me and support me like you.’ So this was another reason for her leaving.” (Company C HR Director)*

Although Company C were good at cultivating emotional attachment to retain people, emotional care alone was not sufficient:

*“Talent retention involves various factors. Emotional care is one of those factors. But it isn’t a fundamental approach. You see.....any talents who left the company commented that we did very well at emotional care.....I think some other factors, such as career development or pay, could still lead to their leaving.” (Company C HR Director)*

In general, guanxi was perceived as relevant to retention, though there was evidence also of the significance of rewards and career development as factors too. Company C’s operating situation was stagnant, making it difficult to provide more managerial posts or promotion opportunities for internal talents within the existing organisational structure. Company B paid attention to establishing a harmonious guanxi environment in the organisation, but did not view guanxi as a formal method to retain talent. Company B focused on adopting competitive financial rewards and development opportunities to retain its talent. Company B was in the process of rapid business expansion, creating managerial vacancies that gave internal talent more promotion and career development opportunities. Their business situation allowed the organisations to use career development opportunities to retain internal talent.

## **Discussion**

As guanxi is a major dynamic in Chinese society and the whole society is structured around webs of guanxi, guanxi has a strong and direct on business practices and performance (Luo 1997). Understanding guanxi influence in TM is important for HRD scholars to explore TM in the Chinese context. The key finding is that guanxi influence can be seen in experiences of TM, rather than adherence to the practices promoted as more objective and formalised recruitment strategies and practices in TM (Jansen and Van der Pool 2009). While guanxi influence may not be explicitly espoused for TM, it is present and perceived to be fair and valid. Employees with guanxi ties are regarded as more trustworthy, reliable, and have less potential risk as employees. Guanxi recruitment can also bring other benefits, such as network resources to assist in managing to deal effectively with China’s bureaucracy. Attracting staff through guanxi networks does reinforce and perpetuate guanxi networks, and the culture of reciprocal favours. It confirms that more context-oriented TM research are needed and national/cultural variables may account for variance (Thunnissen et al 2013). However, potential disadvantages of guanxi recruitment are understood and recognised. Guanxi attraction can create or perpetuate unfair discrimination in recruitment. Organizations may accept unqualified talent or face overstaffing problem because the company want to access guanxi networks to obtain the strategic benefits of those. This might conflict with recruitment fairness and the employment of talented individuals who do not have guanxi network supports. A challenge about ethics of talent recruitment should be aware, because an employer could be accused of favouring one group over others and it is not showing equal opportunities towards all its applicants (Swales 2013).

However, TM experience is not entirely or unambiguously aligned with guanxi influence alone, and there is evidence of other influences on TM too. Best practice TM is partially present in the experience of some interviewees, and in Company B especially. The interplay

of guanxi influence and the uptake of best practice TM seems to provides an appropriate focus for exploring the ‘5 Cs’ of TM choices, considerations, challenges, context and consequences defined by Schuller (Schuller 2015). More consciously and explicitly ‘hybrid’ policies for TM blending guanxi and best practice could help with describing and progressing TM for a future where issues with commitment and turnover might become more prominent in China.

The choice is not a binary one between either guanxi or best practice TM, but about how these can both be incorporated in organization policies. In development, for example, there is use and reinforcement of s-s guanxi. S-s guanxi means that all employees develop a high level of personal identification with their supervisor (Bass and Avolio 1993), and strong commitment amongst employees to the goals and vision espoused by their supervisor (Weng 2014). In this respect the Chinese experience would not mirror classic LMX studies, where there are both in-groups and out-groups; in guanxi there are only in-groups. This would mean that employees and managers are more likely to engage in talent development activities, such as mentoring and coaching, with more people in order to sustain and reinforce guanxi networks. Considerations and challenges if all employees are ‘in-group’ members with strong ties to the leader and good access to information and resources, with interpersonal trust (Law et al. 2000) are different from contexts where there are both ‘in-group’ and ‘out-group’ dynamics to manage.

In this context consideration is to be given to the challenge of TM being more influenced by formal and explicit clear criteria which can be assessed, with decision processes based on those, and consequently greater transparency, beyond strong guanxi, in the management of talent. These considerations for TM in the Chinese context may be seen as structurally similar to those associated with adopting a more ‘inclusive’ and less ‘exclusive’ form of TM. In defining talent there is scope and space for seeking talent outside guanxi qualities. In attracting talent there is scope and space for looking beyond the guanxi networks and supporting greater diversity and equality. In developing talent the advantages of close s-s guanxi can be retained. It is consistent with literature that guanxi promote knowledge sharing and support talent development (Wang-Cowham 2011); but our research further analyse benefits and risks of guanxi in developing talents. We point out the potential unfair discrimination in this managed as a risk. Close s-s guanxi may cause ethical problems, if the organisation or supervisor does not know to what extent their descriptions of talent in talent development activities. According to virtue ethics, talent development is ethical if it properly identifies employee potential and other employees are not denied opportunities (Swales 2013). And in retaining talent a shift to also providing rewards and career development can be introduced alongside the continuation and membership of the guanxi network. It not only confirms literature that reward and career development are important for retaining talents (Phillips and Roper 2009) and but furtherly contribute that guanxi ties play an important role in retaining talents in the Chinese context. It may enrich organisational commitment theory and encourage HRD scholars to take account of guanxi ties when analyse talent retention.

In terms of global TM and development, our research argues that cultural context influence how TM practices take shape in different countries. TM practices are influenced by pre-existing social, cultural and political context. Compared to TM in western countries, cross-cultural differences, such as guanxi influence, make Chinese TM seem likely to differ in the detail. For example, although s-s guanxi is similar to western concept LMX, LMX is



restricted to work-related exchange, while guanxi also focuses on non-work related exchanges (Chen et al 2009). As guanxi is different from the western concept of relationship and guanxi influence shape TM activities including defining, developing and retaining talents, understanding the guanxi influence in TM is significant for HRD scholars to explore TM practice in Chinese organisations. In the Chinese context personal guanxi is not to be displaced by more explicit and formal TM, though there is interest in and scope for adopting competence and performance criteria associated with transparent criteria and standards in TM encapsulating meritocratic in TM experiences. More objective assessment of competence and performance, and also potential, is at the heart of the considerations and challenge. To enable and support that TM practitioners in China will need to seek engagement in new, blended, systems, and challenge both managers and employees' perceptions of appropriate TM. This is not necessarily to become overly concerned with the detail of particular systems for explicitly and objectively assessing talent, it is also about conducting a dialogue about fairness and validity in TM. In this study Company B seems to be one most clearly encountering this kind of transition and having that sort of dialogue.

The limitations of the study are the small sample of interviews and organization cases in one industry sector, limiting the analytical generalization possible. The experience of TM, and the interface between TM with guanxi influence, in other sectors in China would enable greater confidence in the analytic generalization that guanxi influence does matter. That research might include a wider range of enterprises and larger data sets that included quantitative data on career patterns and outcomes as well as organizational outcomes such as commitment, turnover and competitive advantage. These cases show that Chinese POEs need 'guanxi' networks to support their business operations. 'Guanxi' factors influence talent identification, talent attraction, talent development, and talent retention. This does not represent all POEs in China, or other forms of organization; though it is assumed that guanxi influence in those other forms of organization will be as great or greater.

In focusing on the phenomenon of guanxi and TM in some Chinese organizations we have provided evidence of the interface and interaction of guanxi influence best practice in TM. Managing fit and integrity with a cultural tradition while dealing with the challenges of this global TM best practice is evident. The factors constituting guanxi influence are not in themselves distinct, it is in the sum of these parts that guanxi provides a 'whole' which can shape choices, considerations, challenges and consequences. For best practice TM to be influential in China is not to prescribe a single global prescription of best practice but to suggest that choices, challenges and considerations can and should be centred on addressing guanxi influence (see Figure 2).

Insert Figure 2 Here

The context, considerations and challenges in China is one in which both guanxi influence persists, embedded in the broader culture, while also agents are evidently seeking to adopt better practice in TM with choices and consequences which require thinking beyond guanxi. To conclude, continuing to respect and work with guanxi influence is the context for TM in China, and the choices, considerations and challenges of securing the benefits of TM while managing the challenges for discrimination and diversity.

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